

**BOARD OF PATENT APPEALS AND INTERFERENCES  
IN THE UNITED STATES PATENT AND TRADEMARK OFFICE**

Applicants : Timothy M. Keiser *et al.*  
Application No. : **09/465,607**  
Confirmation No. : 9080  
Filed : December 17, 1999  
For : COMPUTER-IMPLEMENTED SECURITIES TRADING  
SYSTEM  
Group Art Unit : 3691  
Examiner : Clement Graham  
Attorney Docket No. : 98-HSX001-C1  
Customer No. : 63710

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Commissioner for Patents  
P.O. Box 1450  
Alexandria, Virginia 22313-1450

**APPEAL BRIEF UNDER 37 C.F.R. § 41.37  
AND PETITION FOR EXTENSION OF TIME**

Sir or Madam:

This is an appeal from the decision of Examiner Clement Graham, Group Art Unit 3691, in the Final Office Action of December 16, 2010 ("Final Office Action"), rejecting pending claims 23-69 in the present application. A Notice of Appeal and Request for Pre-Appeal Review were filed on May 16, 2011. A Notice of Panel Decision from Pre-Appeal Brief Review was mailed on June 20, 2011.

Applicant hereby petitions for a four-month extension of time to file this Appeal Brief. With the extension, the time for filing this Appeal Brief is extended up to and including November 20, 2011. The Commissioner for Patents is hereby authorized to charge Deposit

Account No. 50-3938 in the amount of \$1,980.00 in connection with the petition for extension of time. The Commissioner also is hereby authorized to charge the filing fee for this Appeal Brief, as well as any additional fees which may be required, or credit any overpayment, to Deposit Account No. 50-3938.

**I. REAL PARTY IN INTEREST**

The real party in interest of the present application is CFPH, LLC, a limited liability company organized and existing under the laws of the state of Delaware, and having a place of business at 110 E. 59<sup>th</sup> St., New York, New York, 10022.

## II. RELATED APPEALS AND INTERFERENCES

In a prior appeal in the present application, a Notice of Appeal, Appeal Brief, and Supplemental Appeal brief were filed on July 14, 2003, February 11, 2004, and September 29, 2004, respectively. In another prior appeal in the present application, an Appeal Brief was filed on January 7, 2008. The Board of Patent Appeals and Interferences has not rendered any decision on any appeal in this case.

Notices of Appeal were filed on April 2, 2009 and May 12, 2011 in related U.S. Application No. 11/351,614 (the '614 application), filed on February 9, 2006. An Appeal Brief was filed in the '614 application on October 21, 2011. The '614 application and the present application are both continuations of U.S. Application No. 09/184,571, filed on November 2, 1998.

A Notice of Appeal was filed on September 30, 2003 in related Application No. 09/382,907 (the '907 application), filed on August 25, 1999 (now U.S. Patent No. 7,487,123, issued February 3, 2009). The '907 application and the present application both claim priority to Application No. 09/184,571, filed on November 2, 1998. An appeal brief was filed in the '907 application on March 29, 2004, and an Examiner's Answer was filed on July 2, 2004. A Decision on Appeal in the '907 application was mailed August 7, 2008 (a copy of which is attached hereto in the Related Proceedings Appendix).

Notices of Appeal were filed on February 22, 2010 and May 23, 2011 in U.S. Application No. 11/189,262 (the '262 application), filed on July 25, 2005. The '262 application and the present application both claim priority to U.S. Application No. 09/184,571, filed on November 2, 1998.

### III. STATUS OF CLAIMS

The following claims are pending and stand rejected in the present application:

- Independent claims **23, 31, 38, 45, 54, and 62.**
- Dependent claims **24-30, 32-37, 39-44, 46-53, 55-61, and 62-69.**

The following claims are being appealed:

- Independent claims **23, 31, 38, 45, 54, and 62.**
- Dependent claims **2430, 32-37, 39-44, 46-53, 55-61, and 62-69.**

#### **IV. STATUS OF AMENDMENTS**

No amendments have been filed after the Final Office Action dated December 16, 2010 (“Final Office Action”).

## **V. SUMMARY OF CLAIMED SUBJECT MATTER**

The presently claimed invention(s) generally relate to systems and computer implemented methods for trading and pricing financial instruments associated with one or more movies, such as a potential box office revenue or a movie talent.

### **A. Independent Claim 23**

Independent claim **23** is directed to a method comprising various actions. A computing device is used to set an initial price for a derivative financial instrument that represents a movie in an entertainment industry based at least in part on a potential box office revenue for the movie. *See, e.g.*, Specification, FIGS. 1 and 3; p. 3, ll. 11-19; and p. 11, ll. 17-23. A first order to buy the derivative financial instrument that represents the movie in the entertainment industry is received via a remote device. *See, e.g., id.* at p. 2, ll. 6-7; p. 3, ll. 12-18. The derivative financial instrument comprises a stock for trading over a network. *See, e.g., id.* at FIG. 1; p. 6, ll. 13-19; and p. 8, ll. 7-9. A second order to sell the derivative financial instrument is received via the remote device. *See, e.g., id.* at p. 2, ll. 6-7; and p. 3, ll. 12-18. The computing device is used to set a market price for the derivative financial instrument based at least in part on the first order and the second order. *See, e.g., id.* at FIG. 3, element 304; FIG. 4, element 408; p. 2, ll. 5-7; p. 3, ll. 12-18; p. 12, ll. 12-14; and p. 13, ll. 6-9. The computing device and the remote device are in communication. *See, e.g., id.* at FIG. 1; p. 2, ll. 6-7; and p. 6, ll. 13-19. A trade of the derivative financial instrument is executed at the set market price. *See, e.g., id.* at ; p. 3, ll. 12-18; p. 8, line 19 – p. 9, line 3; and p. 9, line 20 – p. 10, line 3.

### **B. Independent Claim 31**

Independent claim **31** is directed to an apparatus comprising a processor and a memory that stores instructions which, when executed by the processor, direct the processor to perform the following actions. *See, e.g., id.* at FIG. 1; p. 6, line 13 to p. 7, line 15. The processor is directed to set an initial price for a derivative financial instrument that represents a movie in an entertainment industry based at least in part on a potential box office revenue for the movie. *See, e.g., id.* at FIGS. 1 and 3; p. 3, ll. 11-19; and p. 11, ll. 17-23. The processor is directed to receive, via a remote device, a first order to buy the derivative financial instrument that represents the movie in the entertainment industry. *See, e.g., id.* at p. 2, ll. 6-7; p. 3, ll. 12-

18. The derivative financial instrument comprises a stock for trading over a network. *See, e.g., id.* at FIG. 1; p. 6, ll. 13-19; and p. 8, ll. 7-9. The processor is directed to receive, via the remote device, a second order to sell the derivative financial instrument. *See, e.g., id.* at p. 2, ll. 6-7; and p. 3, ll. 12-18. The processor is directed to set a market price for the derivative financial instrument based at least in part on the first order and the second order. *See, e.g., id.* at FIG. 3, element 304; FIG. 4, element 408; p. 2, ll. 5-7; p. 3, ll. 12-18; p. 12, ll. 12-14; and p. 13, ll. 6-9. The remote device is in communication with a computing device. *See, e.g., id.* at FIG. 1; p. 2, ll. 6-7; and p. 6, ll. 13-19. The processor is directed to execute a trade of the derivative financial instrument at the set market price. *See, e.g., id.* at ; p. 3, ll. 12-18; p. 8, line 19 – p. 9, line 3; and p. 9, line 20 – p. 10, line 3.

### C. Independent Claim 38

Independent claim 38 is directed to an article of manufacture comprising a non-transitory tangible storage medium that stores instructions which, when executed by a processor, direct the processor to perform the following actions. *See, e.g., id.* at FIG. 1; p. 6, line 13 to p. 7, line 15. The processor is directed to set an initial price for a derivative financial instrument that represents a movie in an entertainment industry based at least in part on a potential box office revenue for the movie. *See, e.g., id.* at FIGS. 1 and 3; p. 3, ll. 11-19; and p. 11, ll. 17-23. The processor is directed to receive via a remote device a first order to buy the derivative financial instrument that represents the movie in the entertainment industry. *See, e.g., id.* at p. 2, ll. 6-7; p. 3, ll. 12-18. The derivative financial instrument comprises a stock for trading over a network. *See, e.g., id.* at FIG. 1; p. 6, ll. 13-19; and p. 8, ll. 7-9. The processor is directed to receive via the remote device a second order to sell the derivative financial instrument. *See, e.g., id.* at p. 2, ll. 6-7; and p. 3, ll. 12-18. The processor is directed to set a market price for the derivative financial instrument based at least in part on the first order and the second order. *See, e.g., id.* at FIG. 3, element 304; FIG. 4, element 408; p. 2, ll. 5-7; p. 3, ll. 12-18; p. 12, ll. 12-14; and p. 13, ll. 6-9. The remote device is in communication with a computing device. *See, e.g., id.* at FIG. 1; p. 2, ll. 6-7; and p. 6, ll. 13-19. The processor is directed to execute a trade of the derivative financial instrument at the set market price. *See, e.g., id.* at ; p. 3, ll. 12-18; p. 8, line 19 – p. 9, line 3; and p. 9, line 20 – p. 10, line 3.



**D. Independent Claim 45**

Independent claim **45** is directed to a method comprising various actions. A computing device is used to set an initial price for a derivative financial instrument that represents a movie talent in an entertainment industry based at least in part on a popularity rating for the movie talent in the entertainment industry. *See, e.g., id.* at FIG. 1; p. 3, ll. 15-19; p. 6, lines 13-19; and p. 11, ll. 17-23. A first order to buy the derivative financial instrument that represents the movie talent in the entertainment industry is received via a remote device. *See, e.g., id.* at p. 2, ll. 6-7; p. 3, ll. 12-18. The derivative financial instrument comprises a bond for trading over a network. *See, e.g., id.* at FIG. 1; p. 6, ll. 13-19; and p. 8, ll. 7-9. A second order to sell the derivative financial instrument is received via the remote device. *See, e.g., id.* at p. 2, ll. 6-7; and p. 3, ll. 12-18. The computing device is used to set a market price for the derivative financial instrument based at least in part on the first order and the second order. *See, e.g., id.* at FIG. 3, element 304; FIG. 4, element 408; p. 2, ll. 5-7; p. 3, ll. 12-18; p. 12, ll. 12-14; and p. 13, ll. 6-9. The computing device and the remote device are in communication. *See, e.g., id.* at FIG. 1; p. 2, ll. 6-7; and p. 6, ll. 13-19. A trade of the derivative financial instrument is executed at the set market price. *See, e.g., id.* at ; p. 3, ll. 12-18; p. 8, line 19 – p. 9, line 3; and p. 9, line 20 – p. 10, line 3.

**E. Independent Claim 54**

Independent claim **54** is directed to an apparatus comprising a processor and a memory that stores instructions which, when executed by the processor, direct the processor to perform the following actions. *See, e.g., id.* at FIG. 1; p. 6, line 13 to p. 7, line 15. The processor is directed to set an initial price for a derivative financial instrument that represents a movie talent in an entertainment industry based at least in part on a popularity rating for the movie talent in the entertainment industry. *See, e.g., id.* at FIG. 1; p. 3, ll. 15-19; p. 6, lines 13-19; and p. 11, ll. 17-23. The processor is directed to receive via a remote device a first order to buy the derivative financial instrument that represents the movie talent in the entertainment industry. *See, e.g., id.* at p. 2, ll. 6-7; p. 3, ll. 12-18. The derivative financial instrument comprises a bond for trading over a network. *See, e.g., id.* at FIG. 1; p. 6, ll. 13-19; and p. 8, ll. 7-9. The processor is directed to receive via the remote device a second order to sell the derivative financial instrument. *See, e.g., id.* at p. 2, ll. 6-7; and p. 3, ll. 12-18. The processor is

directed to set a market price for the derivative financial instrument based at least in part on the first order and the second order. *See, e.g., id.* at FIG. 3, element 304; FIG. 4, element 408; p. 2, ll. 5-7; p. 3, ll. 12-18; p. 12, ll. 12-14; and p. 13, ll. 6-9. The computing device and the remote device are in communication. *See, e.g., id.* at FIG. 1; p. 2, ll. 6-7; and p. 6, ll. 13-19. The processor is directed to execute a trade of the derivative financial instrument at the set market price. *See, e.g., id.* at ; p. 3, ll. 12-18; p. 8, line 19 – p. 9, line 3; and p. 9, line 20 – p. 10, line 3.

#### **F. Independent Claim 62**

Independent claim **62** is directed to an article of manufacture comprising a non-transitory tangible storage medium that stores instructions which, when executed by a processor, direct the processor to perform the following actions. *See, e.g., id.* at FIG. 1; p. 6, line 13 to p. 7, line 15. The processor is directed to set an initial price for a derivative financial instrument that represents a movie talent in an entertainment industry based at least in part on a popularity rating for the movie talent in the entertainment industry. *See, e.g., id.* at FIG. 1; p. 3, ll. 15-19; p. 6, lines 13-19; and p. 11, ll. 17-23. The processor is directed to receive via a remote device a first order to buy the derivative financial instrument that represents the movie talent in the entertainment industry. *See, e.g., id.* at p. 2, ll. 6-7; p. 3, ll. 12-18. The derivative financial instrument comprises a bond for trading over a network. The processor is directed to receive via the remote device a second order to sell the derivative financial instrument. *See, e.g., id.* at p. 2, ll. 6-7; and p. 3, ll. 12-18. The processor is directed to set a market price for the derivative financial instrument based at least in part on the first order and the second order. *See, e.g., id.* at FIG. 3, element 304; FIG. 4, element 408; p. 2, ll. 5-7; p. 3, ll. 12-18; p. 12, ll. 12-14; and p. 13, ll. 6-9. The remote device is in communication with a computing device. *See, e.g., id.* at FIG. 1; p. 2, ll. 6-7; and p. 6, ll. 13-19. The processor is directed to execute a trade of the derivative financial instrument at the set market price. *See, e.g., id.* at ; p. 3, ll. 12-18; p. 8, line 19 – p. 9, line 3; and p. 9, line 20 – p. 10, line 3.

## VI. GROUNDS OF REJECTION TO BE REVIEWED ON APPEAL

The grounds for rejection to be reviewed on appeal are whether:

- Claims **23-69** are rejected under 35 U.S.C. § 103(a) as being unpatentable over U.S. Patent No. 6,058,377 (“Traub”) in view of U.S. Patent No. 5,970,479 (“Shepherd”).

## VII. ARGUMENT

### A. Rejections under 35 U.S.C. § 103

#### 1. Legal Standard – Prima Facie Showing

The initial burden of presenting a *prima facie* case of obviousness is upon the Examiner. *In re Oetiker*, 977 F.2d 1443, 1445 (Fed. Cir. 1992). To reject claims under 35 U.S.C. § 103, an examiner must show an unrebutted *prima facie* case of obviousness. *In re Rouffet*, 149 F.3d 1350, 1355 (Fed. Cir. 1998). To establish *prima facie* obviousness of a claimed invention, all the claim limitations must be taught or suggested by the prior art. *In re Royka*, 490 F.2d 981 (CCPA 1974).

To raise a *prima facie* case, the PTO must come forward with evidence and an explanation of that evidence that “not only ... would reasonably allow the conclusion the examiner seeks, but also that the prior art compels such a conclusion if the applicant produces no evidence or argument to rebut it.” *In re Spada*, 911 F.2d 705, 707 n.3, 15 USPQ2d 1655, 1657 n.3 (Fed.Cir.1990); *Tourus Records Inc v. Drug Enforcement Admin.*, 259 F.3d 731, 736–37 (D.C. Cir. 2001) (5 U.S.C. § 555(e) “mandates that whenever an agency denies ‘a written application...’ the agency must provide ‘a brief statement of the grounds for denial,’ [that] ensures the agency’s careful consideration of such requests, but also gives parties the opportunity to apprise the agency of any errors it may have made and, if the agency persists in its decision, facilitates judicial review.” [citations, quotations, and footnotes omitted]).

If examination at the initial stage does not produce a *prima facie* case of unpatentability, then without more the Applicants are entitled to grant of the patent. *In re Oetiker*, 977 F.2d at 1445. If the examiner fails to establish a *prima facie* case, the rejection is

improper and will be overturned. *In re Rijckaert*, 9 F.3d 1531, 1532 (Fed. Cir. 1993); *Novamedix Distrib. Ltd. v. Dickinson*, 175 F. Supp. 2d 8, 9 (D.D.C. 2001).

## 2. Legal Standard – Obviousness

To establish *prima facie* obviousness of a claimed invention, all the claim limitations must be taught or suggested by the prior art. *In re Royka*, 490 F.2d 981, 180 USPQ 580 (CCPA 1974). “All words in a claim must be considered in judging the patentability of that claim against the prior art.” *In re Wilson*, 424 F.2d 1382, 1385, 165 USPQ 494, 496 (CCPA 1970). If an independent claim is nonobvious under 35 U.S.C. 103, then any claim depending therefrom is non-obvious. *In re Fine*, 837 F.2d 1071, 5 USPQ2d 1596 (Fed. Cir. 1988).

In addition, there must be some suggestion or motivation, either in the references themselves or in the knowledge generally available to one of ordinary skill in the art, to modify a reference. The Examiner must support with substantial evidence of record a factual finding of a suggestion or motivation to modify a reference. *Novamedix Distrib. Ltd. v. Dickinson*, 175 F. Supp. 2d 8, 9 (D.D.C. 2001); *In re Zurko*, 258 F.3d 1379, 1383-1386 (Fed. Cir. 2001); *In re Lee*, 277 F.3d 1338, 1342 (Fed. Cir. 2002). A conclusory or common sense statement as to the factual question of motivation must be supported by evidence of record and without such evidence, lacks substantial evidence support and is thereby insufficient to establish a *prima facie* case of obviousness. *In re Lee*, 277 F.3d at 1343-1345; *In re Zurko*, 258 F.3d at 1385. *See Innogenetics v. Abbott Labs.*, 512 F.3d 1363, 1373-74 (Fed. Cir. 2008) (excluding obviousness testimony that was “vague and conclusory” regarding the reason to combine references). Although the teachings, suggestions, or motivations need not always be written references, the obviousness test must proceed on the basis of some substantial evidence of record. *See Ortho-McNeil Pharmaceutical v. Mylan Labs*, 520 F.3d 1358, 1365 (Fed. Cir. 2008).

The rejection of a patent on obviousness grounds cannot be sustained by mere conclusory statements. *KSR Int’l Co. v. Teleflex, Inc.*, 127 S.Ct. 1727, 1741 (2007). There must be some articulated reasoning with some rational underpinning to support a legal conclusion of obviousness. *Id.* A patent composed of several elements is not proved obvious merely by demonstrating that each of its elements was, independently, known in the prior art. *KSR Int’l Co.*, 127 S.Ct. at 1741. It is important to identify a reason that would have prompted a person of

ordinary skill in the relevant field to combine the elements in the way the claimed invention does, since claimed discoveries almost of necessity will be combinations of what, in some sense, is already known. *Id.* A factfinder must be aware of the distortion caused by hindsight bias and must be cautious of arguments reliant upon *ex post* reasoning. *KSR Int’l Co.*, 127 S.Ct. at 1742.

### 3. First Group: Claims 23-44

- a. The cited passages of Traub and Shepherd do not disclose or suggest “setting the initial price . . . based . . . on a potential box office revenue for a movie.”

#### SEPARATE ARGUMENT OF PATENTABILITY

The Office Action rejected claims **23-44** under 35 U.S.C. § 103(a) as being unpatentable over Traub in view of Shepherd.

Independent claims **23**, **31**, and **38** recite “*set[ting] . . . an initial price for a derivative financial instrument that represents a movie in an entertainment industry . . . based . . . on a potential box office revenue for [a] movie.*” Claims **24-30**, **32-37**, and **39-44** incorporate this recitation by reference. On page 3, the Examiner concedes that “Traub and Shepherd fail to explicitly teach that the revenue is box office revenue, and the financial instrument is associated with a movie in an entertainment industry.”<sup>1</sup> Indeed, the words “movie” and “box office” do not appear in Traub or Shepherd, nor do the words “film,” “entertainment,” or “media.” Traub, entitled “Portfolio Structuring Using Low-Discrepancy Deterministic Sequences,” does not include any teaching whatsoever relating to movies or box office revenues, and neither does Shepherd, entitled “Methods and Apparatus Relating to the Formulation and Trading of Risk Management Contracts.” Notably, the Office Action does not cite any reference – prior art or otherwise – that discloses or suggests “box office revenue,” “potential box office revenue,” “a movie,” “a movie associated with [a] financial instrument,” a “financial instrument” “associated with” “a movie,” or an “initial offer price [determined based on] potential box office revenue for

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<sup>1</sup> The Examiner more clearly concedes that “Traub and Shepherd fail to explicitly teach box office and a movie” in a Final Office Action dated November 12, 2010 in related application Ser. No. 11/351,614.

a movie,” as recited in claims **23**, **31**, and **38** (and incorporated in the claims depending therefrom).

Lacking any such disclosures, the cited passages of Traub and Shepherd cannot possibly disclose or suggest “*set[ting] . . . an initial price for a derivative financial instrument that represents a movie in an entertainment industry . . . based . . . on a potential box office revenue for [a] movie,*” as recited or incorporated in claims **23-44**. When a claim recites a limitation that is absent from the art, the claim is not obvious under 35 U.S.C. § 103(c).

- b. The rejection improperly relies on a factual finding of the state of the art made without evidentiary support.

### SEPARATE ARGUMENT OF PATENTABILITY

While the Examiner concedes that Traub and Shepherd fail to explicitly teach the recited “box office revenue” or “movie,” the Examiner instead makes the following argument:

However, a potential box office revenue that is based on a movie . . . and is associated with a financial instrument would be representative of a revenue bond . . . to finance different projects for example bridges [and] road projects, and the revenue generated (i.e., “potential revenue”) from motorist[s] using the bridge and paying tolls are committed to paying off the revenue bond, therefore financing a movie is no different than financing bridges because the fees (i.e., “potential revenue”) that is paid by the patrons that attend the movie would be used in paying off the revenue bond that was used to finance the movie.

Office Action, p. 3 (emphasis added). On this reasoning, the Examiner concludes that claims **23**, **31**, and **38** are obvious in view of Traub and Shepherd.

The Examiner’s argument relies on factual assertions about movies, box office revenues, revenue bonds, the financing of bridges, the financing of roads, bridge tolls, and road tolls. However, the Office Action does not cite any reference – prior art or otherwise – that discloses anything about movies, box office revenues, bridges, roads, or tolls.<sup>2</sup> The Examiner provides

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<sup>2</sup> The terms “revenue bond,” “bridge,” “road,” and “toll” do not appear in Traub or Shepherd.

absolutely no evidence or support of any kind for the above assertions, and thus they are not a proper basis for a rejection.<sup>3</sup>

Furthermore, the Examiner's argument relies on the statement that "financing a movie is no different than financing bridges." Is there an actual movie that was financed the same way as an actual bridge? If so, which movie? When? Did it occur before the priority date of the present application? The Office Action's bridge and road analogies are not prior art, and the Office Action has not even asserted that they are prior art.

Regardless, the statement that "financing a movie is no different than financing bridges" is vague and false. The statement is vague because there are many different ways to finance a movie and many different ways to finance a bridge. Which method is similar to which? Also, there are myriad differences between a typical movie financing and bridge financing, such as completely different risk factors, revenue streams (e.g., a continuous stream of bridge toll revenue versus a relatively brief period of box office receipts), investment liquidity, and regulatory concerns, among other differences. Thus, the Office Action's assertion is false. As the Office Action's statement lacks support – and is vague, untrue, and not prior art – it does not establish any basis for rejecting the claims.

For at least these reasons, the Office Action has not established a *prima facie* case of obviousness of claims **23**, **31**, and **38** and the claims depending therefrom.

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<sup>3</sup> See MPEP 2144.03. It is never appropriate to rely solely on "common knowledge" in the art without evidentiary support in the record as the principal evidence upon which a rejection was based. *In re Zurko*, 258 F.3d 1379, 1385, 59 USPQ2d 1693, 1697 (Fed. Cir. 2001) ("[T]he Board cannot simply reach conclusions based on its own understanding or experience – or on its assessment of what would be basic knowledge or common sense. Rather, the Board must point to some concrete evidence in the record in support of these findings."). While the court explained that, "as an administrative tribunal the Board clearly has expertise in the subject matter over which it exercises jurisdiction," it made clear that such "expertise may provide sufficient support for conclusions [only] as to peripheral issues." *Id.* at 1385-86, 59 USPQ2d at 1697. As the court held in *Zurko*, an assessment of basic knowledge and common sense that is not based on any evidence in the record lacks substantial evidence support. *Id.* at 1385, 59 USPQ2d at 1697. See also *In re Eynde*, 480 F.2d 1364, 1370, 178 USPQ 470, 474 (CCPA 1973) ("[W]e reject the notion that judicial or administrative notice may be taken of the state of the art. The facts constituting the state of the art are normally subject to the possibility of rational disagreement among reasonable men and are not amenable to the taking of such notice.").

- c. The cited passages of Traub and Shepherd do not disclose or suggest a “derivative financial instrument” that “represents” “a movie.”

### SEPARATE ARGUMENT OF PATENTABILITY

As noted above, the Examiner asserts that the recitation “*set[ting] . . . an initial price for a derivative financial instrument that represents a movie in an entertainment industry . . . based . . . on a potential box office revenue for [a] movie,*” as recited or incorporate in claims **23-44** is obvious in view of Traub and Shepherd. Also as noted above, Traub and Shepherd do not disclose or suggest a “movie” or “potential box office revenue.”

Without a teaching of a “movie” or “potential box office return,” Traub and Shepherd also cannot disclose or suggest a “derivative financial instrument” that is “associated with” “a movie,” as recited in claims **23, 31, and 38**. Nor can Traub and Shepherd disclose or suggest a “derivative financial instrument” for which an “an initial offer price” is “set . . . based . . . on a potential box office revenue for the movie,” as recited or incorporated in claims **23-44**. This “financial instrument” also appears in the following additional recitations of exemplary claim **23**:

*receiving via a remote device a first order to buy the derivative financial instrument . . . comprising a stock for trading over a network;*  
*receiving via the remote device a second order to sell the derivative financial instrument;*  
*setting . . . a market price for the derivative financial instrument based at least in part on the first order and the second order . . . ; and*  
*executing a trade of the derivative financial instrument at the set market price.*

(Emphasis added.) Independent claims **31** and **38** recite similar recitations.

In each of these recitations, “the derivative financial instrument” refers back to the “derivative financial instrument that represents a movie in an entertainment industry” for which “an initial price [is set] based at least on a potential box office revenue for the movie,” as recited or incorporated in claims **23-44**. Because Traub and Shepherd fail to disclose or suggest such a “derivative financial instrument,” the cited references similarly fail to disclose or suggest these “receiv[ing]...,” “receiv[ing]...,” “set[ting]...,” and “execut[ing]...” recitations as well.



d. Insufficient reason to combine Traub and Shepherd.

**SEPARATE ARGUMENT OF PATENTABILITY**

In rejecting claims **23-44**, the Examiner argues that a person of ordinary skill in the art would be motivated to combine Traub and Shepherd as follows:

In rejecting claim **23**, the Examiner argues that a person of ordinary skill in the art would be motivated to combine Traub and Shepherd as follows:

Therefore, it would have been obvious to one of ordinary skill in the art at the time the invention was made to modify the teachings of Traub to include [various purported teachings] taught by Shepherd because *financing a movie is no different than financing bridges because the fees (i.e., “potential revenue”) that is paid by the patrons that attend the movie would be used in paying off the revenue bond that was used to finance the movie.*<sup>4</sup>

Final Office Action, p. 3 (emphasis added). As noted above, the Examiner does not provide any support for this vague and false assertion.

In rejecting claims **31** and **38**, the Examiner offers the following motivation to combine:

Therefore, it would have been obvious . . . to modify the teachings of Traub to include [various purported teachings] taught by Shepherd because *in order to match and trade financial instruments.*

Final Office Action, pp. 5 and 8 (emphasis added).

In each case, the Examiner’s stated reason is nothing more than an unsupported conclusory or purportedly common sense statement, which is insufficient to establish a *prima facie* case of obviousness. *In re Lee*, 277 F.3d at 1343-1345 (“conclusory statements . . . do not adequately address the issue of motivation to combine. . . . [The] factual question of motivation is material to patentability, and [can] not be resolved on subjective belief and unknown authority.”); *In re Zurko*, 258 F.3d at 1385 (“This assessment of basic knowledge and common sense was not based on any evidence in the record and, therefore, lacks substantial evidence support.”).

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<sup>4</sup> Strangely, the Examiner’s reasons why one of ordinary skill in the art would be specifically motivated to combine Traub and Shepherd are the same as his factual assertions about the prior art, addressed above.

Simply stated, there is no concrete evidence in the record that provide any reason to combine Traub and Shepherd. The rejection of a patent on obviousness grounds cannot be sustained by mere conclusory statements. *KSR Int'l Co. v. Teleflex, Inc.*, 127 S.Ct. 1727, 1741 (2007). As the Examiner has not provided any evidence in the record to support these findings, this rejection lacks substantial evidence support and is therefore improper. *In re Zurko*, 258 F.3d 1379, 1385-86 (Fed Cir. 2001). See MPEP § 2144.03(C). Furthermore, without any substantial evidence to support the Examiner's proposed combination of specific purported teachings of Traub with specific purported teachings of Shepherd, the proposed combination appears to be based only on improper hindsight bias and *ex post* reasoning.

#### **4. Second Group: Claims 45-69**

a. The arguments above for claims 26-44 similarly apply to claims 45-69.

#### **SEPARATE ARGUMENT OF PATENTABILITY**

The Office Action rejected claims **45-69** under 35 U.S.C. § 103(a) as being unpatentable over Traub in view of Shepherd.

Independent claims **45, 54, and 62** recite “*set[ting] the initial price for the derivative financial instrument based at least in part on a popularity rating for the movie talent in the entertainment industry.*” Dependent claims **46-53, 55-61, and 63-69** incorporate this recitation by reference. (Notably, the claims are different because claims **45-69** recite a “popularity rating for the movie talent in the entertainment industry” instead of a “potential box office revenue for the movie,” as recited in claims **23-44.**)

The Examiner's arguments and cited art in the rejection of claims **45-69** are very similar to those in the rejection of claims **23-44**. On pages 8-10, the Office Action applies the same passages of art as above and concedes that Traub and Shepherd do not disclose “based at least in part on a popularity rating for the movie talent in the entertainment industry.” The Office Action then makes a similar “revenue bond to fund bridges” analogy/argument, again without any evidentiary support.

Accordingly, the arguments set forth above for claims **23-44** similarly apply to claims **45-69**. Notably, the cited passages of Traub and Shepherd simply do not disclose or suggest a

“derivative financial instrument,” “movie talent,” or “popularity rating.” The Examiner’s reasoning and analogies based on bridge and road tolls have no support and are vague and false. And the Examiner’s proffered motivation(s) to combine lacks evidentiary support.

**5. Third Group: Claims 27, 28, 35, 42, 49, 50, 58, and 66**

- a. The cited passages of Traub and Shepherd do not disclose or suggest “wherein the electronic currency comprises virtual currency.”

**SEPARATE ARGUMENT OF PATENTABILITY**

The Office Action rejected claims **27, 28, 35, 42, 49, 50, 58, and 66** under 35 U.S.C. § 103(a) as being unpatentable over Traub in view of Shepherd. These claims recite or incorporate “*wherein the electronic currency comprises virtual currency.*” The “virtual currency” is described in Applicants’ Specification: “virtual currency known as Hollywood dollars (H\$) which are controlled by a virtual reserve bank program” may be used in “a computer-implemented Hollywood Stock Exchange (HSX), which may be implemented as a simulation (i.e., game).” Specification, p. 3, lines 15-19.

The Examiner asserts that Traub discloses “wherein the electronic currency comprises virtual currency” in the following passages: col. 1, lines 21-34; col. 2, lines 14-25; col. 6, lines 31-56; and col. 7, lines 21-39 and 46-54. These passages disclose various concepts, including concepts related to valuations, stochastic variables, and multi-dimensional integrals. However, none of the cited passages of Traub discloses or suggests a “virtual currency,” as recited in claims **27, 28, 35, 42, 49, 50, 58, and 66**. Notably, the word “virtual” does not appear anywhere in Traub. Accordingly, the Examiner has not established a prima facie case of obviousness of claims **27, 28, 35, 42, 49, 50, 58, and 66**. When a claim recites a limitation that is absent from the art, the claim is not obvious under 35 U.S.C. § 103(c).

**6. Fourth Group: Claims 53, 61, and 69**

- a. The cited passages of Traub and Shepherd do not disclose or suggest “issuing the bond with a higher yield than another bond that represents another movie talent, in which the popularity rating for the movie talent is lower than a popularity rating for the another movie talent.”

**SEPARATE ARGUMENT OF PATENTABILITY**

The Office Action rejected claims **53, 61, and 69** under 35 U.S.C. § 103(a) as being unpatentable over Traub in view of Shepherd. These claims recite “*issuing the bond with a higher yield than another bond that represents another movie talent, in which the popularity rating for the movie talent is lower than a popularity rating for the another movie talent.*” The cited passages of Traub simply do not disclose or suggest bond representing movie talents and popularity ratings, let alone bonds having a higher yield and lower popularity rating for the movie talent than that of another bond. The cited passages of Traub do not disclose or suggest any relationship, whatsoever, between a popularity rating of a movie talent and bond yield.

When a claim recites a limitation that is absent from the art, the claim is not obvious under 35 U.S.C. § 103(c).

## VIII. CONCLUSION

In view of the foregoing, Appellants submit that all of the pending claims are in proper condition for allowance, and the Board is respectfully requested to overturn the Examiner's rejection of these claims.

Respectfully submitted,

November 21, 2011

Date

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**IX. CLAIMS APPENDIX**

1-22. (Canceled).

23. (Previously Presented) A method, comprising:  
setting, using a computing device, an initial price for a derivative financial instrument that represents a movie in an entertainment industry, in which setting the initial price comprises:  
    setting the initial price for the derivative financial instrument based at least in part on a potential box office revenue for the movie;  
receiving via a remote device a first order to buy the derivative financial instrument that represents the movie in the entertainment industry, the derivative financial instrument comprising a stock for trading over a network;  
receiving via the remote device a second order to sell the derivative financial instrument;  
setting, using the computing device, a market price for the derivative financial instrument based at least in part on the first order and the second order, in which the computing device and the remote device are in communication; and  
executing a trade of the derivative financial instrument at the set market price.

24. (Previously Presented) The method of claim 23, in which the network comprises the Internet.

25. (Previously Presented) The method of claim 23, in which the set market price is presented by electronic currency.

26. (Previously Presented) The method of claim 25, in which the electronic currency comprises actual dollars.

27. (Previously Presented) The method of claim 25, in which the electronic currency comprises virtual currency.

28. (Previously Presented) The method of claim 27, in which the virtual currency comprises Hollywood dollars.

29. (Previously Presented) The method of claim 23, further comprising:  
determining, using the computing device, a net price movement of the market price;  
stopping, using the computing device, trading of the derivative financial instrument based  
at least in part on the net price movement.

30. (Previously Presented) The method of claim 23, further comprising:  
offering the derivative financial instrument at the initial price.

31. (Previously Presented) An apparatus, comprising:  
a processor; and  
a memory, in which the memory stores instructions which, when executed by the  
processor, direct the processor to:  
    set an initial price for a derivative financial instrument that represents a movie in  
    an entertainment industry, in which setting the initial price comprises:  
        setting the initial price for the derivative financial instrument based  
        at least in part on a potential box office revenue for the movie;  
    receive via a remote device a first order to buy the derivative financial instrument  
    that represents the movie in the entertainment industry, the derivative financial  
    instrument comprising a stock for trading over a network;  
    receive via the remote device a second order to sell the derivative financial  
    instrument;  
    set a market price for the derivative financial instrument based at least in part on  
    the first order and the second order, in which the computing device and the remote device  
    are in communication; and  
    execute a trade of the derivative financial instrument at the set market price.

32. (Previously Presented) The apparatus of claim 31, in which the network  
comprises the Internet.

33. (Previously Presented) The apparatus of claim 31, in which the set market price is presented by electronic currency.

34. (Previously Presented) The apparatus of claim 33, in which the electronic currency comprises actual dollars.

35. (Previously Presented) The apparatus of claim 33, in which the electronic currency comprises virtual currency.

36. (Previously Presented) The apparatus of claim 31, in which the memory further stores instructions which, when executed by the processor, direct the processor to:  
determine a net price movement of the market price;  
stop trading of the derivative financial instrument based at least in part on the net price movement.

37. (Previously Presented) The apparatus of claim 31, in which the memory further stores instructions which, when executed by the processor, direct the processor to:  
offer the derivative financial instrument at the initial price.

38. (Previously Presented) An article of manufacture, comprising:  
a non-transitory tangible storage medium, in which the storage medium stores instructions which, when executed by a processor, direct the processor to:  
set an initial price for a derivative financial instrument that represents a movie in an entertainment industry, in which setting the initial price comprises:  
setting the initial price for the derivative financial instrument based at least in part on a potential box office revenue for the movie;  
receive via a remote device a first order to buy the derivative financial instrument that represents the movie in the entertainment industry, the derivative financial instrument comprising a stock for trading over a network;  
receive via the remote device a second order to sell the derivative financial instrument;



set a market price for the derivative financial instrument based at least in part on the first order and the second order, in which the computing device and the remote device are in communication; and

execute a trade of the derivative financial instrument at the set market price.

39. (Previously Presented) The article of manufacture of claim 38, in which the network comprises the Internet.

40. (Previously Presented) The article of manufacture of claim 38, in which the set market price is presented by electronic currency.

41. (Previously Presented) The article of manufacture of claim 40, in which the electronic currency comprises actual dollars.

42. (Previously Presented) The article of manufacture of claim 40, in which the electronic currency comprises virtual currency.

43. (Previously Presented) The article of manufacture of claim 38, in which the storage medium further stores instructions which, when executed by the processor, direct the processor to:

determine a net price movement of the market price;

stop trading of the derivative financial instrument based at least in part on the net price movement.

44. (Previously Presented) The article of manufacture of claim 38, in which the storage medium further stores instructions which, when executed by the processor, direct the processor to:

offer the derivative financial instrument at the initial price.

45. (Previously Presented) A method, comprising:

setting, using a computing device, an initial price for a derivative financial instrument that represents a movie talent in an entertainment industry, in which setting the initial price comprises:

setting the initial price for the derivative financial instrument based at least in part on a popularity rating for the movie talent in the entertainment industry;  
receiving via a remote device a first order to buy the derivative financial instrument that represents the movie talent in the entertainment industry, the derivative financial instrument comprising a bond for trading over a network;  
receiving via the remote device a second order to sell the derivative financial instrument;  
setting, using the computing device, a market price for the derivative financial instrument based at least in part on the first order and the second order, in which the computing device and the remote device are in communication; and  
executing a trade of the derivative financial instrument at the set market price.

46. (Previously Presented) The method of claim 45, in which the network comprises the Internet.

47. (Previously Presented) The method of claim 45, in which the set market price is presented by electronic currency.

48. (Previously Presented) The method of claim 47, in which the electronic currency comprises actual dollars.

49. (Previously Presented) The method of claim 47, in which the electronic currency comprises virtual currency.

50. (Previously Presented) The method of claim 49, in which the virtual currency comprises Hollywood dollars.

51. (Previously Presented) The method of claim 45, further comprising:  
determining, using the computing device, a net price movement of the market price;

stopping, using the computing device, trading of the derivative financial instrument based at least in part on the net price movement.

52. (Previously Presented) The method of claim 45, further comprising:  
offering the derivative financial instrument at the initial price.

53. (Previously Presented) The method of claim 52, in which offering the derivative financial instrument at the initial price comprises:

issuing the bond with a higher yield than another bond that represents another movie talent, in which the popularity rating for the movie talent is lower than a popularity rating for the another movie talent.

54. (Previously Presented) An apparatus, comprising:  
a processor; and  
a memory, in which the memory stores instructions which, when executed by the processor, direct the processor to:  
    set an initial price for a derivative financial instrument that represents a movie talent in an entertainment industry, in which setting the initial price comprises:  
        setting the initial price for the derivative financial instrument based at least in part on a popularity rating for the movie talent in the entertainment industry;  
    receive via a remote device a first order to buy the derivative financial instrument that represents the movie talent in the entertainment industry, the derivative financial instrument comprising a bond for trading over a network;  
    receive via the remote device a second order to sell the derivative financial instrument;  
    set a market price for the derivative financial instrument based at least in part on the first order and the second order, in which the computing device and the remote device are in communication; and  
    execute a trade of the derivative financial instrument at the set market price.

55. (Previously Presented) The apparatus of claim 54, in which the network comprises the Internet.

56. (Previously Presented) The apparatus of claim 54, in which the set market price is presented by electronic currency.

57. (Previously Presented) The apparatus of claim 56, in which the electronic currency comprises actual dollars.

58. (Previously Presented) The apparatus of claim 56, in which the electronic currency comprises virtual currency.

59. (Previously Presented) The apparatus of claim 54, in which the memory further stores instructions which, when executed by the processor, direct the processor to:  
determine a net price movement of the market price;  
stop trading of the derivative financial instrument based at least in part on the net price movement.

60. (Previously Presented) The apparatus of claim 54, in which the memory further stores instructions which, when executed by the processor, direct the processor to:  
offer the derivative financial instrument at the initial price.

61. (Previously Presented) The apparatus of claim 60, in which offering the derivative financial instrument at the initial price comprises:  
issuing the bond with a higher yield than another bond that represents another movie talent, in which the popularity rating for the movie talent is lower than a popularity rating for the another movie talent.

62. (Previously Presented) An article of manufacture, comprising:  
a non-transitory tangible storage medium, in which the storage medium stores instructions which, when executed by a processor, direct the processor to:

set an initial price for a derivative financial instrument that represents a movie talent in an entertainment industry, in which setting the initial price comprises:

setting the initial price for the derivative financial instrument based at least in part on a popularity rating for the movie talent in the entertainment industry;

receive via a remote device a first order to buy the derivative financial instrument that represents the movie talent in the entertainment industry, the derivative financial instrument comprising a bond for trading over a network;

receive via the remote device a second order to sell the derivative financial instrument;

set a market price for the derivative financial instrument based at least in part on the first order and the second order, in which the computing device and the remote device are in communication; and

execute a trade of the derivative financial instrument at the set market price.

63. (Previously Presented) The article of manufacture of claim 62, in which the network comprises the Internet.

64. (Previously Presented) The article of manufacture of claim 62, in which the set market price is presented by electronic currency.

65. (Previously Presented) The article of manufacture of claim 64, in which the electronic currency comprises actual dollars.

66. (Previously Presented) The article of manufacture of claim 64, in which the electronic currency comprises virtual currency.

67. (Previously Presented) The article of manufacture of claim 62, in which the memory further stores instructions which, when executed by the processor, direct the processor to:

determine a net price movement of the market price;

stop trading of the derivative financial instrument based at least in part on the net price movement.

68. (Previously Presented) The article of manufacture of claim 62, in which the memory further stores instructions which, when executed by the processor, direct the processor to:

offer the derivative financial instrument at the initial price.

69. (Previously Presented) The article of manufacture of claim 68, in which offering the derivative financial instrument at the initial price comprises:

issuing the bond with a higher yield than another bond that represents another movie talent, in which the popularity rating for the movie talent is lower than a popularity rating for the another movie talent.

**X. EVIDENCE APPENDIX**

None

**XI. RELATED PROCEEDINGS APPENDIX**

A Decision on Appeal mailed August 7, 2008 in related Application No. 09/382,907 is enclosed herewith as part of this Related Proceedings Appendix.